

### **REMARKS**

Applicant has cancelled Claims 23-25 without prejudice in response to Examiner's restriction requirement. Applicant has also cancelled claims 1-22 and added claims 26-43. Claims 26-43 are now pending in this application.

In the Office Action dated January 31, 2003, the Examiner rejected claims 1-7, 9-18, 21 and 22 under 35 U.S.C. 102(e) in view of Basch (US Patent 6,119,103) and claims 19 and 20 under 35 U.S.C. 103(a) over Basch in view of Harris (US Patent 2002/0032635).

Applicant has cancelled claims 1-22 and added claims 26-43 to further clarify that the present invention relates to receiving data generally related to specific types of risk which are not addressed by the prior art, including: regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position, into a computer system and associating the received data with other data specifically descriptive of an online transaction and data descriptive of at least one online transaction participant so that a report can be generated that contains the associated data. The data descriptive of an online transaction can include, for example, an amount of money involved in the transaction; one or more geographic locations associated with the online transaction; government regulations associated with the transaction; and one or more currencies involved in the transaction. An identifier indicating the identity of one or more market participants associated with the transaction is also received.

It is further specified that the data descriptive of the transaction is received from various sources which can include one or more of: an online retailer; an online wholesaler; a business to business supplier; an online auction; an investment bank; a merchant bank; a commercial bank; a securities firm; a asset management company; a hedge fund; a mutual fund; a credit rating fund; a securities exchange and bourse; an investor; a law firm; an accounting firm and a government entity.

Claimed embodiments also include generation of a risk quotient based upon the portion of the data generally related to at least one of: regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position and the market participants associated with the transaction. The risk quotient can be indicative of an amount of regulatory risk, legal

risk, or risk associated with monetary costs related to at least one of: fines, forfeitures and costs to defend an adverse position.

Applicant respectfully submits that no new matter has been added, that the amendment has been made in good faith and that Claims 26-43 are in proper form for allowance.

**a. Requirement for Restriction**

The Examiner has requested an election of subject matter pursuant to a restriction requirement under 35 U.S.C. §121 to one of the following groups:

- I. Claims 1-22, drawn to a method and system for managing risk related to an online transaction.
- II. Claims 23-25, drawn to a method of interacting with a network access device so as to manage risk relating to an online transaction.

In response to this request and to affirm the election made by Mitchell Feller on January 2, 2003, by telephone with Examiner Subramanian, Applicant respectfully affirms the election of Group I, Claims 1-22, drawn to a method and system for managing risk related to an online transaction. In this response to the Office Action, Applicant also requests cancellation of claims 1-22 and

Applicant expressly reserves the right to the non-elected subject matter including the right to file one or more continuation and/or divisional applications to that subject matter, as now embraced in non-elected Claims 23-25.

**b. §102(e); Basch et al.**

The Examiner has rejected claims 1-7, 9-18, 21 and 22 under 35 U.S.C. 102(e) as being anticipated by U.S. Patent No. 6,119,103 issued to Basch et al (Basch). Prior to discussion of the merits of the rejections, some brief comments reviewing the invention may be helpful.

Embodiments of the present invention relate to analysis and quantification of risk associated with an *online transaction*. The online transaction is a transaction associated with an *online marketplace*. The nature of an online marketplace can present particular challenges to

risk management which are not addressed by the prior art. The automated nature of an online transaction can involve a high volume and frequency of transactions. In addition, market participants to one transaction may access an online marketplace from many different sovereign entities and jurisdictions. Market participants can also operate relatively anonymous as compared with traditional marketplaces. As a result, risk can be increased and varied.

The present invention contains several unique steps that can be useful to assess and therefore better manage risk associated with an online transaction. One unique step is to gather data that is generally related to regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position. The present invention teaches gathering data from sources that identify high risk entities, geographic areas or other variables. For example, information can be gathered from “ a list generated by the Office of Foreign Assets Control (OFAC) including their sanction and embargo list, a list generated by the U.S. Commerce Department, a list of international “kingpins” generated by the U.S. Whitehouse, regulatory actions, a foreign government, U.S. adverse business related reports”, etc (p. 7 lines 3-12).

Another unique step is to structure or integrate the risk variable data with data that relates to details of a transaction. The present invention automatically integrates the data generally related to regulatory risk, reputational risk, legal risk, such as data descriptive of an OFAC list, with data descriptive of a particular online transaction in a manner and timeframe that allows them to conduct business in an online marketplace and still contain those risks.

Still another unique aspect of the Applicant's invention is generating a report the includes the integrated data. In some embodiments the reports can also include a risk quotient and/or a suggested action. Typically, the report will be useful to demonstrate corporate governance is being addressed through tangible risk management processes (p. 10 lines 1-2).

The unique aspects described above can distinguish the present invention over prior art relating to credit risks. In addition, in the present invention, the risks involved do not include credit risks, but instead refer to regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position, such as fines or costs to defend an adverse position. In order to keep pace with an automated online marketplace, a compliance officer, or other

interested person needs an automated tool to aid in risk management of these types of risky. The tool provided by the present invention can address this need and provide a method of assessing the importance of world events, government bulletins, lists of high risk individuals or entities or other non-credit related information as they relate to an online transaction.

The automated nature of the present invention can also allow some embodiments to include monitoring of an online marketplace so that information descriptive of online market participants is systematically processed by risk management routines for the various types of risk. Some specific claimed embodiments of a suggested action include, discontinuing an online transaction, limiting the scope of a transaction, and notifying an authority.

Applicant respectfully submits that the Basch patent does not teach or describe the present invention.

The Basch patent is directed to improved financial risk prediction techniques that advantageously employ scoreable transactions as input data to assess the level of financial risk of a particular account and/or account holder (col. 5 lines 5-10). In Basch, financial risk is associated with a credit risk or risk of bankruptcy (col. 5 line 36). In addition, Basch can relate to one account holder and multiple accounts and/or account issuers. The thrust of the Basch patent is that instead of relying solely upon historical credit data, data relating to scoreable transactions is centralized in a particular database, thereby allowing more accurate credit risk prediction at a given time.

In a broad statement, the Basch patent states that its “inventive financial risk prediction techniques apply to any credit arrangement wherein there exists a need to generate, in a timely and efficient manner, financial risk scores based on scoreable transactions for a particular account and/or account holder. (col. 6 lines 49-53 emphasis added). The Basch patent is clearly concerned with credit arrangements.

The Basch patent describes a financial risk prediction system for credit arrangements. It describes various aspects of activities performed by account issuers and account holders and assessment of credit risk associated with each.

Claims 1-7, 9-18 21 and 22 are rejected under 35 U.S.C. 102(e) as being anticipated by the Basch patent. Applicant respectfully traverses this ground of rejection. Basch is limited to credit arrangements and the present invention facilitates assessment of risks very different than credit risks.

Applicant respectfully asserts that Basch does not describe or suggest embodiments of the present invention as presented in new claims 26-43. At least because , none of the references alone or in combination describe or suggest receiving into the computer system data generally related to at least one of: *regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position* or associating a portion of the data generally related to at least one of: regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position with at least one of: the data descriptive of the transaction and the identifier of one or more market participants associated with the transaction or generating a report that includes the portion of the data generally related to at least one of: regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position which is associated with at least one of: the data descriptive of the transaction and the identifier of one or more market participants associated with the transaction. Applicant also respectfully asserts that Basch does not describe or suggest generating a report that relates at all to regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position.

Basch is an expansion of credit scoring. It does not relate to managing risk related to an online marketplace as described in the present invention. Basch does not describe or suggest the element of claim 1 which includes gathering data generally related to regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position. Which, as described in the specification, can include lists of high risk people or entities published by the Office of Access Control, the Treasury Department, the U.S. Commerce Department, the U.S. White House, etc (p. 3 lines 5-8, p. 7 lines 4-10). Basch only describes receiving data related to a specific account or account holder and transactions entered into by such an account holder. Since Basch does not describe gathering data generally related to regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse

position, it also cannot describe a claim element claiming associating a portion of such data with at least one of: the data descriptive of the transaction and the identifier of one or more market participants associated with the transaction. Similarly Basch cannot and does not disclose generation of a report containing the associated data.

Similarly, Basch does not teach or suggest calculating a risk quotient based upon the portion of the data generally related to at least one of: regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position which is associated with at least one of: the data descriptive of the transaction and the identifier of one or more market participants associated with the transaction. Basch scores transaction data for a credit account (col. 20 claim 1).

In addition, Basch does not describe or suggest generating a suggested action based upon the portion of the data generally related to at least one of: regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position which is associated with at least one of: the data descriptive of the transaction and the identifier of one or more market participants associated with the transaction.

Accordingly, Basch does not teach or suggest the elements claimed in the present invention.

Another fundamental difference between Basch and the present invention includes the applicant's definition of risk in the present invention which can include: regulatory risk, reputational risk, legal risk, and financial risk that are associated with an online transaction resulting from an online marketplace.. According to the present invention, financial risk can include fines or costs to defend an adverse position. (p. 1 lines 11-15, p. 2 lines 20-29) Basch does not describe or suggest any risk other than financial credit risk and does not mention an online environment. The online commerce world has presented unique challenges due its nearly universal access and the inability of a market participant to conduct more traditional due diligence on who a counterparty market participant may be. Recent changes in laws relating to money laundering and counterterrorism have further emphasized the importance of

understanding who is partaking in online transactions, even though online marketplaces often allow market participants to operate with relative anonymity.

Basch does not describe an online marketplace or an online transaction that results from an online marketplace. In addition, since Basch does not reference an online marketplace or an online transaction, it cannot describe receiving data related regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position associated with an online transaction. Consequently, Basch does not reference or describe generating a risk quotient or a suggested action based upon such received data.

The applicant has cancelled claims 1-22 and submitted new claim 23-46 which clarify that the present invention addresses areas of risk management distinct from credit risks. The current claims 26-43 include steps that are specifically directed to managing regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position, as such risks relate to an online transaction. Risk management is accomplished by generation of reports in real time that relate data indicative of such risks with the specific transaction. The reports can also include generation of risk quotients and/or suggested actions specific to the online transaction and related data indicative of such risks.

Applicant respectfully submits that claims 26-43 are therefore in condition for allowance.

**c. §103(a); Basch et al.**

Claims 19 and 20 have been rejected under 35 U.S.C. 103(a) as being unpatentable over U.S. Patent No. 6,119,103. For reasons similar to those set forth above, new claims are patentable over Harris and Basch.

Similar to Basch, the Harris application describes systems and methods for monitoring credit (p. 1 par. 1, 9 and claim 1). In particular, Harris describes systems and methods for monitoring credit of counterparties and a parent of the counterparty involved in trading. Trading positions and credit limits are monitored for the trading party and the parent. The results of monitoring the trading patterns and positions are then used to control a credit risk that a party may be exposed to.

As with Basch, no mention is made in Harris in regards to risks as defined in the present invention. In particular, no reference is made to the step of receiving data generally related to regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position. Harris also does not describe or suggest associating data generally related to regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position with data descriptive of the online transaction. Harris is concerned with credit risk which requires different methods and processes to manage and utilizes different sorts of data than risks associated with regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position.

Finally, Harris does not teach or suggest generating a report that includes a risk quotient or a suggested action based upon regulatory risk, reputational risk, legal risk and risk associated with a cost to defend an adverse position.

In addition, Harris make no reference in regard to regulatory, reputational or legal risks, or for financial risks related to monetary costs to defend an adverse position, such as fines or forfeitures. Nor does Harris make any reference at all to the types of resources that would be necessary to assess and score any type of risk other than credit risk. Harris describes methods and systems for monitoring trades entered into and cleared by a counterparties and triggers warnings when a counterparty or their parent exceed a warning limit (p. 1 par. 9). Harris does not teach generation of a report that includes data generally related to regulatory risk, reputational risk, legal risk; and risk associated with a cost to defend an adverse position that is also associated with data descriptive of a particular transaction.

Therefore, applicant respectfully submits, that even if combined, Harris and Basch do not render the applicant's invention obvious.



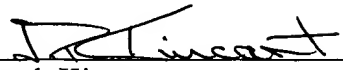
Application No. 09/919,413  
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**CONCLUSION**

Allowance of this application, as amended, is courteously urged.

Respectfully submitted,

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